



California Public Employees' Retirement System
Executive Office
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(916) 795-3577 phone • (916) 795-3033 fax
www.calpers.ca.gov

Agenda Item 7a

November 15, 2011

TO: MEMBERS OF THE FINANCE COMMITTEE

- I. **SUBJECT:** CalPERS 2011-12 Business Plan Update
- II. **PROGRAM:** Enterprise
- III. **RECOMMENDATION:** Approval of Proposed Changes to the 2011-12 Business Plan

IV. ANALYSIS:

This agenda item provides the first update of the CalPERS 2011-12 Business Plan (Attachment 1), which was adopted by the Board of Administration in June 2011. This update reflects work completed from July to November 2011, and includes a request for changes to five objective initiatives and the addition of one new objective to the plan.

CalPERS 2011-12 Business Plan Objective Status

The 2011-12 Business Plan centers on three priorities: Customer Focus: Today and Tomorrow, Leadership and Soundness, and Building Internal Strength. Since July 1, six objective initiatives have been completed. The 2011-12 Annual Plan Summary (Attachment 2) provides detailed information on the work completed on those six initiatives and progress to date for the remaining 38 initiatives.

The following is a summary of significant Business Plan achievements.

Customer Focus: Today and Tomorrow

Focus on improved customer service, while implementing my|CalPERS and transforming our core service delivery to meet the changing needs of members and employers.

my|CalPERS

- The first phase of my|CalPERS launched on September 19. Through the exceptional efforts of our PSR team, the completion of customer acceptance testing, mock conversion exercises, and production system readiness tests lead to a successful and seamless launch. The team remains hard at work rolling out updated program releases to fine tune the

system and work is on track for implementing Release 2 in March 2012 and member self-services in April 2012.

- Staff transition readiness activities were completed, including completing system training for approximately 1,100 employees, implementation of the division transition plans, and executing post-implementation start up activities for the program areas.

Customer Service Delivery

- As part of our customer service delivery transformation efforts, one of two planned health care delivery studies was completed. The Ambulatory Intensive Care Unit pilot study focused on providing coordinated care and improving quality of care for high-cost, chronically ill patients.
- An assessment of CalPERS business information asset opportunities was completed and work is on track to have data mart frameworks in place for pension, business partner, health care, and risk intelligence.
- For program and services outreach, a marketing strategy team has been formed to unify outreach efforts, and an information and market review has been conducted towards the development of a branding platform.

Enterprise Priority 2 – Leadership and Soundness

Ensure the stability and soundness of CalPERS pension and health programs by delivering sound investment results, adapting to changing conditions, and exercising leadership in pension, health, and financial market policy.

Pension and Health Programs

- In response to the increasing national and State focus on pension and health benefits administration, high-level policy and research functions have been formed in both the pension and health programs. While full operation of those functions is being phased in over time, initial steps to realign needed staffing and resources, develop additional funding requests, and define core scopes of work have been completed.
- For employers and other stakeholder groups, the annual Public Agency, State, and School reports have been expanded to include historical funding status and contribution level information.

- Four planned worksite wellness programs are now in operation. In partnership with Kaiser, a program launched for Solano County and California State University, Northridge which already has more than 200 participating employees. The Living Well Project, a collaboration with Blue Shield and the State Department of Public Health, has more than 800 employees who have completed wellness assessments and biometric screening. And, Santa Cruz employees are completing biometric screenings as part of their newly implemented wellness program. In addition, we plan on expanding our original four to six programs. In partnership with CalPERS, Anthem Blue Cross plans to implement two worksite wellness programs for Humboldt County and Bureau of Prisons, Pelican Bay.

Investments Roadmap

- Staff completed a restructuring of the Real Estate portfolio and are now implementing a new strategic plan.
- Advanced functionalization of Global Equity, which included changing reporting relationship of the Absolute Return Strategies and Corporate Governance Units to align with a total fund strategic approach.
- Investment staff are continuing an industry dialogue with the SEC on changes to bondholder rights.
- Policies and benchmarks were amended to complete implementation of the new risk-based asset allocation framework.
- The new Risk Management System is on track to go live this month (November 2011).
- With a focus on an integrated internal operating model, a new Master Custodian service model was implemented; the CIO monthly reporting was enhanced; Board reporting was consolidated by reducing supplemental reports by 80 percent; and travel policies and protocols have been implemented.
- In efforts to recruit and retain a diverse, highly-skilled team, recruitment outreach was expanded using social networks, such as Facebook, LinkedIn, and Twitter.

Enterprise Priority 3 – Building Internal Strength

Deliver world-class customer service to our members and employers by improving the alignment between our culture, business strategy, and organization structure. Create a risk-intelligent environment that ensures accountability, integrity, transparency, nimbleness, and innovation. Further develop our staff to create a high-performing employee team with a broad and diverse range of skills, ideas, and perspectives.

Organizational Strength

- An online, web-based Working Values training was launched and staff are currently completing the course. Full compliance will be achieved by the end of the calendar year.
- A mandatory Executive and Senior Leadership training, the *Diversity and Inclusion Development Journey*, kicked-off at the end of October. The course focuses on transitioning the leadership commitment to diversity and inclusion into tactical actions in the workplace.
- In efforts to shape a risk-intelligent organization, a new enterprise risk inventory has been implemented. More than 140 risks and definitions were developed and assessed.
- Risk Management training is in development and will be delivered to the organization's managers and supervisors by the end of the calendar year.
- A framework and tracking program to monitor the planned reduction in consultant contract expenditures has been developed. Program areas are required to monitor and manage their expenditures to reach the planned enterprise reduction of five percent.

Proposed Business Plan Changes

Objective and Initiative Changes

Ongoing enterprise workload management and business priority changes have resulted in the need to adjust six Business Plan objective initiatives as follows.

Enterprise Priority 1 – Customer Focus: Today & Tomorrow

Objective 1 – Provide one-stop shopping and enhanced customer capabilities through my|CalPERS.

Revise Target Due Date – Implement my|CalPERS Member Self-Service (March 2012)

Staff recommend changing the initiative due date to April 2012 to align with the Board-approved adjustments to the my|CalPERS project timeline.

Objective 3 – Develop an enterprise strategy for transforming service delivery.

Revise Initiative Scope – Develop an enterprise framework and three- to five-year road map that identifies service delivery transformation and implementation efforts (June 2012).

Work is underway to develop a framework for service delivery transformation. The planned approach includes shaping the customer service delivery vision, researching and clarifying best practices for performance measures, and defining delivery excellence goals and objectives. While significant progress will be achieved by the end of the fiscal year, staff recommends modifying the initiative scope to deliver objectives and opportunities for service delivery transformation and continue development of the three- to five-year road map into the 2012-13 fiscal year. This will enable the project team to fully integrate the planned my|CalPERS enhancement launch capabilities into the planning process and fully explore a complete range of improvement opportunities.

The proposed initiative language would read:

Develop an enterprise framework and identify objectives for service delivery transformation over a three- to five-year horizon. (June 2012)

Enterprise Priority 3 – Building Internal Strength

Revise Target Due Dates

Objective 1 - Complete planned efforts of the organizational structure, processes, and cultural alignment initiatives

Identify and implement the restructuring of two core business processes for the new organizational structure (October 2011)

Communicate processes and rationale for changes to staff and stakeholders through all implementation phases (December 2011)

Complete implementation of the organizational structure and related decision rights changes (December 2011)

The target delivery dates for three of the four Objective 1 initiatives shown above have been impacted by delays in receiving approval from the Department of Personnel Administration and the State Personnel Board for key leadership positions resulting from the organizational restructure. Staff recommends changing the target due date for these three initiatives to June 2012 to provide sufficient time to fully complete all work.

Objective 3 – Integrate enterprise risk management into governance structures and culture to effectively evaluate, monitor, and manage risk across the organization

***Revise Target Due Date** – Establish an enterprise repository of policies, identified risk tolerances, and risk measurement systems (March 2012)*

Development of a policy repository, including identification of enterprise policies and associated risk tolerances is underway. Executive Staff are currently developing risk appetite statements and tolerances for the top risks facing the organization. However, given the number of policies under review and the potential workload impact to program area staff, completing the repository may not be possible by the current due date. Staff recommends the target date be changed from March 2012 to June 2012 to ensure work can be completed in full.

New Business Plan Objective

The successful implementation of the Board Governance principles and practices approved by the Board in August 2011 is one of the highest priorities for the organization. Enhancing the strategic oversight, accountability, and decision-making of the Board is intrinsically tied to achieving the CalPERS Mission and Vision and should be included in the Business Plan, which delineates the organization's highest business priorities.

Staff recommends the addition of the following objective and related initiatives to the 2011-12 Business Plan.

Enterprise Priority 3 – Building Internal Strength

Objective 5 – Improve strategic vision and system oversight, clarify accountability, and improve decision-making through implementation of the Board Governance Initiatives

- Implement approved Powers Reserved by the Board by adopting new Board Committee structures and Delegations of Authority (April 2012)
- Revise and implement appropriate Board policies, governance principles, and certifications (June 2012)
- Ensure alignment with Board strategy by instituting new Board agenda materials, templates, guidelines, and consent calendars (June 2012)
- Launch a planning process to develop a three- to five-year Strategic Plan (June 2012)

Conclusion

Of the 44 objective initiatives included in the Business Plan, six are completed and the remaining 38 are on target for completion by their due dates. Changes are recommended for five initiative target due dates and one initiative scope, as well as the addition of a new plan objective. The next 2011-12 Business Plan Status Update is scheduled for February 2012.

V. RISKS:

Risks associated with the completion of all work related to the 2011-12 Business Plan can be successfully managed and mitigated with approval of the recommended changes contained in this agenda item.

VI. STRATEGIC PLAN:

This agenda item reflects the 2011-12 Business Plan, which represents work needed to achieve the 12 Goals in the CalPERS Strategic Plan.

VII. RESULTS/COSTS:

Costs and resource needs associated with the objectives and initiatives identified in the Business Plan have been allocated in the CalPERS 2011-12 Annual Budget.

NANCY QUINLAN
Strategic Management Services Division
Chief

STEPHEN W. KESSLER
Deputy Executive Officer
Operations and Technology

ANNE STAUSBOLL
Chief Executive Officer

Attachments